

## Message Text

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ACTION EA-09

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FM AMEMBASSY BANGKOK

TO USDOC WASHDC

INFO SECSTATE WASHDC 1498

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMCONSUL HONG KONG

AMEMBASSY SINGAPORE

UNCLAS BANGKOK 9003

E.O. 11652: N/A

TAGS: BEXP, TH

SUBJ: PROPOSED AGRI-BUSINESS EXHIBITION

REF: USDOC 04613

1. RTG'S FOURTH FIVE YEAR PLAN (1977-81) EMPHASIZES TO DEVELOPMENT OF RURAL THAILAND AND FOCUSES SHARPLY ON AGRICULTURAL PRODUCTIVITY AND DIVERSIFICATION. MAJOR IRRIGATION PROJECTS ALONE CALL FOR EXPENDITURES APPROXIMATING \$690 MILLION DURING THIS FIVE-YEAR PERIOD. SILOS AND BULK FOOD STORAGE CONSTRUCTION IS EXPECTED TO TOTAL \$50 MILLION. ALREADY THE WORLD'S THIRD LARGEST PRODUCER OF PINEAPPLE, THAILAND'S CROP DIVERSIFICATION PLANS SHOULD RESULT IN ADDITIONAL PRODUCTS FOR EXPORT THUS GENERATING AN EXPANSION OF THE FOOD PROCESSING AND PACKAGING INDUSTRY. ANOTHER \$300 MILLION IS TARGETED FOR LIVESTOCK DEVELOPMENT, RUBBER PLANTING AND AGRICULTURAL EXTENSION PROJECTS. EXPENDITURES OF THIS MAGNITUDE WILL GENERATE INCREASING DEMANDS FOR FARM MACHINERY, HANDLING AND STORAGE FACILITIES, FERTILIZERS AND AGRO-CHEMICALS, PUMPS, VALVES, AND IRRIGATION EQUIPMENT AND HOST OF OTHER

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PRODUCTS.

2. EMBOFFS MET RECENTLY WITH REPRESENTATIVES OF A NUMBER OF AMERICAN AND THAI COMPANIES, PRINCIPALLY ENGAGED IN THE AGRICULTURAL SECTOR (CARGILL, JOHN DEERE, RALSTON PURINA, FMG, BERKEL, INTERNATIONAL HARVESTER) FOR DISCUSSIONS ON THE BEST PROSPECTS FOR FUTURE SALES AND THE

UTILITY OF AN EXHIBITION TO ENCOURAGE THE SALE OF AMERICAN FARM EQUIPMENT. THE GROUP UNANIMOUSLY APPLAUDED THE CONCEPT OF A SHOW AND CONFIRMED THE EMBASSY'S ASSESSMENT OF THE EXISTING POTENTIAL MARKET FOR A WIDE RANGE OF PRODUCTS WHICH INCLUDE THE FOLLOWING:

A. AGRICULTURAL MACHINERY AND EQUIPMENT: SOME OF THE MANUFACTURERS OF FARM TRACTORS CONSIDER THAILAND TO BE A PROMISING MARKET FOR FARM TRACTORS IN ASIA RANKING AFTER JAPAN, INDIA, AUSTRALIA AND POSSIBLY THE PHILIPPINES. OF THE 4,697 TRACTORS IMPORTED IN 1975, ONLY 74 WERE MANUFACTURED IN THE U.S., 2067 WERE MADE IN THE U.K., 1537 WERE PRODUCED IN JAPAN, AND 258 CAME FROM W. GERMANY. THE JAPANESE TRACTORS ARE THE SMALLEST AND CHEAPEST WITH HORSEPOWER RANGING FROM 12-30. BY FAR THE MOST COMMON, THESE ARE AN ESTIMATED 2,700 OF THESE IN USE IN THAILAND TODAY. THE HORSE-POWER OF THE EUROPEAN MODELS RANGES FROM 33 TO 57. EIGHTY-FIVE PERCENT OF THESE HAVE BETWEEN 45 HP AND 55 HP AND MOST OF THEM ARE PRODUCED IN EUROPE BY SUCH U.S. COMPANIES AS JOHN DEERE, MASSEY FERGUSON, INTERNATIONAL HARVESTER, AND FORD. THE U.S.-MADE TRACTORS ARE THE LARGEST AND MOST EXPENSIVE, EACH WITH 68 HP OR MORE. THERE IS ALSO A LIMITED BUT GROWING MARKET IN THAILAND FOR HARVESTING MACHINES, THRASHING MACHINES, HARROWS, CULTIVATORS, CHEMICAL SPRAYING EQUIPMENT, PUMPS AND OTHER MACHINERY FOR SOIL PREPARATION. PRICES AND FINANCING ARE MAJOR CONSIDERATIONS OF THE FARMERS IN PURCHASING FARM MACHINERY AND PERHAPS EXPLAINS, AT LEAST IN PART, THE VERY LOW U.S. MARKET SHARE WHICH WAS UNCLASSIFIED

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ESTIMATED TO BE ONLY 3 PERCENT IN 1975.

B. FOOD PROCESSING AND PACKAGING: THAILAND IS THE WORLD'S THIRD LARGEST PRODUCER OF PINEAPPLE AND ITS EXPORTS OF CANNED PINEAPPLE IN 1975 TOTALED \$17,292,932. RTG'S INCENTIVES FOR CROP DIVERSIFICATION AND ITS PROGRAM ENCOURAGING EXPORTS ARE LIKELY TO GENERATE EXPANSION OF THE LOCAL CANNING INDUSTRY. MACHINERY FOR PROCESSING AND CANNING FISH, VEGETABLES, FRUIT AND FRUIT JUICES PROMISES A REASONABLY GOOD POTENTIAL FOR U.S. SUPPLIERS.

C. POULTRY INDUSTRY: POULTRY RAISING AND PROCESSING EQUIPMENT AND SUPPLIES REPRESENT GOOD SALES OPPORTUNITIES FOR U.S. COMPANIES. INCUBATORS, PICKERS, PROCESSING AND REFRIGERATION EQUIPMENT ARE PARTICULARLY PROMISING.

D. ABATTORI AND MEAT PACKING: NOW IN ITS INFANCY, THIS INDUSTRY IS EXPECTED TO EXPAND GREATLY IN THE NEXT FEW YEARS. THE LIVESTOCK DEVELOPMENT PROJECTS IN

NORTHERN AND SOUTHERN THAILAND ARE LIKELY TO GENERATE EXPANSION BY 1979. IMMEDIATE POTENTIAL EXISTS FOR U.S. SUPPLIERS OF SAUSAGE STUFFERS, SCALES AND SLICING MACHINES.

E. FERTILIZERS, AGRO-CHEMICALS, INSECTICIDES:

PRESENTLY, THAILAND USES LESS FERTILIZER THAN OTHER ASIAN COUNTRIES. HOWEVER, HAVING CULTIVATED ALMOST ALL OF THAILAND'S GOOD LAND, FARMERS WILL HAVE TO INCREASE CROP YIELDS BY USING GREATER QUANTITIES OF FERTILIZERS IN MAINTAINING THE LEVEL OF AGRICULTURAL PRODUCTION. THAILAND CONSUMED APPROXIMATELY 420,00 METRIC TONS OF FERTILIZER IN 1976 AND THIS CONSUMPTION IS EXPECTED TO DOUBLE BY 1979.

F. BULK FOOD HANDLING EQUIPMENT AND STORAGE FACILITIES:

THE BEST PROSPECTS FOR SALES IN THIS PRODUCT GROUP ARE SMALL TO MEDIUM SIZE SILOS, WITH DRYERS, FOR BULK STORAGE OF SUCH AGRICULTURAL PRODUCTS AS CORN, TPAIOCA, SORGHUM, UNCLASSIFIED

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ETC., BELT AND PNEUMATIC CONVEYORS, BAGGING AND WEIGHING EQUIPMENT.

3. EMBASSY BELIEVES PROMOTION THEME OF PROPOSED FY 79 AGRIBUSINESS EXHIBITION SHOULD BE SUFFICIENTLY BROAD TO INCLUDE ALL PRODUCTS REPRESENTING GOOD TO EXCELLENT SALES POTENTIAL FOR U.S. SUPPLIERS. IN KEEPING WITH THIS CONCEPT, "AGRI-SHOW 79" IS CONSIDERED TO BE AN APPROPRIATE PROMOTION THEME.

4. THAILAND HAS PROHIBITIVE TARIFF OR NON-TARIFF BARRIERS APPLICABLE TO ANY OF THE PRODUCTS OR AUXILIARY PRODUCTS OF THIS GROUP. EMBASSY BELIEVES THAT THE IDENTIFICATION OF BEST SALES POTENTIAL, MARKET FACTORS, TYPE AND ESTIMATED NUMBER OF END-USERS, U.S. FIRMS AND POTENTIAL PARTICIPANTS SHOULD BE FUNCTIONS OF THE CONTRACT MARKET RESEARCH. MARKET RESEARCH STUDY WILL REQUIRE SUBSTANTIAL TIME FOR COMPLETION BECAUSE OF ITS BROAD SCOPE. EMBASSY WOULD THEREFORE APPRECIATE PROMPT USDOC AUTHORIZATION TO PROCEED WITH TENDERS FOR STUDY. WHITEHOUSE

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